

**State of New Jersey**

Department of Environmental Protection
PO Box 402
Trenton, NJ 08625-0402

James E. McGreevey
Governor

Bradley M. Campbell
Commissioner
Tel. # (609) 292-2885
Fax # (609) 292-7695

January 31, 2003

Robert K. Dawson
President
Dawson & Associates, Inc.
1225 I Street NW Suite 500
Washington, DC 20005

Dear Bob:

I am grateful to you for initiating a dialogue with New Jersey concerning the extent to which we might reach our shared goals of accelerating remediation and restoration of the Passaic River.

Our discussions to date have highlighted some of the complex issues that arise in our efforts to reconcile the Passaic River Restoration Initiative (PRRI) with the "polluter pays" principle of current law and with the extraordinary fiscal challenges now facing state government. While your client, Tierra Solutions, Inc. (Tierra), has made a number of very constructive proposals, we have yet to arrive at an approach that meets New Jersey's concerns without inviting extensive litigation.

In light of our discussions, I would be prepared to support the participation of New Jersey Department of Transportation (Maritime Resources) as a cost sharing partner in the initial feasibility study. Specifically, in consideration of New Jersey's agreement to advance funds for the study, Tierra would agree as follows.

First, Tierra would agree that the PRRI funding and authorization are without prejudice to Tierra's liability for response costs, natural resource damages, and natural resource restoration under state and federal law.

Second, Tierra would agree that funds expended by the State of New Jersey in support of the PRRI, whether expended by the Department of Environmental Protection or the Department of Transportation) Transportation are recoverable under the Comprehensive Environmental Response, Compensation and Liability Act, [cite], the Spill Act [cite], and other provisions of federal and state law.

Third, Tierra would acknowledge its liability for interim restoration measures to address interim losses to the public from injuries to natural resources. Tierra would retain its right to contest the scale or scope of required restoration projects.

Fourth, Tierra would agree that in any future litigation arising from releases or threatened releases of hazardous substances in the Passaic River, Tierra would waive claims against any party that the United States Environmental Protection Agency or the New Jersey Department of Environmental Protection determines, in the sole discretion of the respective agency, to be a minimal contributor to the release or to be a party with a limited ability to pay response costs or damages.

Fifth, Tierra would acknowledge that neither the cost share formulas for United States Corps of Engineers projects under current law, nor decisions by the United States or the State of New Jersey to advance funds for portions of the study phase of the PRRI, shall be the basis for allocating costs of response or restoration.

Please advise whether your client is prepared to agree to these conditions.

Cheers,



Bradley M. Campbell
Commissioner